

Appendix III-2

Rule 157. Definition of the Standard of Reasonableness in Section 11(c) of the Act For Certain Transactions

(a) Persons entitled to rely on this Rule

A broker acting as agent in a distribution of securities registered with the Commission under the Act on Form S-17 shall be entitled to rely upon this rule if all of the following conditions are met:

1. The broker had no part in the preparation of the registration statement and no order was given to the broker to sell the securities covered by the registration statement until after the registration statement had become effective.
2. None of the proceeds of the offering will be received by the issuer of the securities.
3. The broker receives no more than the applicable minimum commission (including the commission from the buyer, if he acts for both buyer and seller) and has no reason to believe that the seller has made any payment in connection with the transaction to any other person.
4. The broker has obtained a statement in writing signed by the seller, dated not more than 15 days prior to the transaction, to the effect that to the seller's knowledge, the prospectus does not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading.

(b) Definition of Standard of Reasonableness

A broker entitled to rely on this rule shall be deemed to have made a reasonable investigation and to have reasonable ground for belief for the purposes of Section 11(b)(3) of the Act, and the standard of reasonableness under Section 11(c) shall be deemed to have been met, if the broker has read such registration statement and all documents incorporated by reference therein and is not aware of any untrue statement of a material fact therein, or any omission therein to state a material fact required to be stated therein or necessary to make the statements therein not misleading.